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Recovering from the world financial and economic crisis: a Global Jobs Pact

Report of the Secretary-General

Summary

The present report was prepared by the International Labour Organization in response to Economic and Social Council resolution 2010/25. The report identifies a highly differentiated recovery in labour markets marked by persistently high levels of unemployment and growing discouragement in developed countries; and by some slight employment growth and continued high levels of vulnerable employment and working poverty in developing regions. Employment recovery is weak in contrast to the recovery in key macroeconomic indicators, underlining the fact that employment is not necessarily a derivative of economic growth. The report highlights efforts undertaken in support of the Global Jobs Pact at various levels. Examples of country-level support are reviewed together with suggested policy options aimed at promoting a job-intensive recovery. The report notes the increasing awareness of the need for improved coordination and policy coherence and calls for a review of long-standing structural issues which have continued to impede robust growth in the labour market. It concludes by anticipating the annual ministerial review to be undertaken by the Economic and Social Council in 2012 as an opportunity to continue the focus on a jobs-rich sustainable recovery.

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I. Introduction

1. The present report is prepared in response to Economic and Social Council resolution 2010/25, in which the Council invited a range of actors to follow up and promote the Global Jobs Pact adopted by the International Labour Organization (ILO).[1] The Council also requested the Secretary-General to report to the Council at its substantive session of 2011 on progress made in implementing the resolution.

2. The Global Jobs Pact, as underlined in resolution 2010/25, provides a general framework for use by countries in formulating appropriate policy packages specific to their national situation and priorities in order to accelerate recovery. The Pact promotes a productive recovery centred on investments, employment and social protection, rights at work and social dialogue. It notes that recovery packages should be adapted to the special needs and circumstances of each country and that they should take into account the impact of the economic crisis on women and men, integrating gender equality concerns in all response measures. It recognizes the special needs of developing countries, especially the least developed, and provides a framework for developing a fairer globalization and more sustainable development path needed to emerge from the crisis better off than before.

3. Support for the Pact continues to grow: it has received strong endorsement from the General Assembly, the Economic and Social Council, the Group of 20 and various regional and national bodies. Underpinning these endorsements is recognition of the need to accelerate a job-rich recovery so as to provide a stronger foundation for quality growth through more coherent policies focused on the goal of achieving full employment and decent work for all and social cohesion. The Pact is recognized as an effective tool to help to accelerate progress towards development goals, including the Millennium Development Goals, and has helped to inform the debate on development policy, particularly in shaping the post-crisis future.

4. The labour market remains fragile in most countries, and recovery in employment and wages is still weak relative to economic output. This lag in the jobs market continues to adversely affect the real economy through overall unemployment, underemployment, suppressed wages and incomes, and a decline in domestic consumption, all of which are key drivers of growth. Without a jobs recovery, overall economic recovery is in jeopardy. Although significant coordination and coherence has been generated at various political levels in support of the Global Jobs Pact, further efforts are needed to ensure a full recovery in the labour market. When appropriately applied, elements of the Pact have proved effective in helping to stave off sharp fluctuations in the labour market. While the Global Jobs Pact was developed as an emergency policy response tool, evidence from the present crisis suggests that Pact policies remain relevant even in good times to encourage sustained job-rich growth.

5. The report begins with an overview of the current trends in the labour market. Section III outlines key areas of international and regional support for the Global Jobs Pact. Section IV highlights a number of strategies adopted at the national level and gives examples of technical support offered to countries interested in applying elements of the Pact. Section V discusses coordination and coherence initiatives in

[1] "Recovering from the crisis: a Global Jobs Pact", resolution adopted by the International Labour Conference at its ninety-eighth session (Geneva, June 2009). In this report the term Global Jobs Pact refers to that resolution.

support of the Global Jobs Pact undertaken by the United Nations system. The last section addresses structural constraints that have persistently impeded labour markets from achieving the goal of full and productive employment and decent work for all. The report concludes anticipating the annual ministerial review to be undertaken by the Economic and Social Council in 2012 as an opportunity to continue the focus on a job-rich sustainable recovery.

II. Current trends in employment[2]

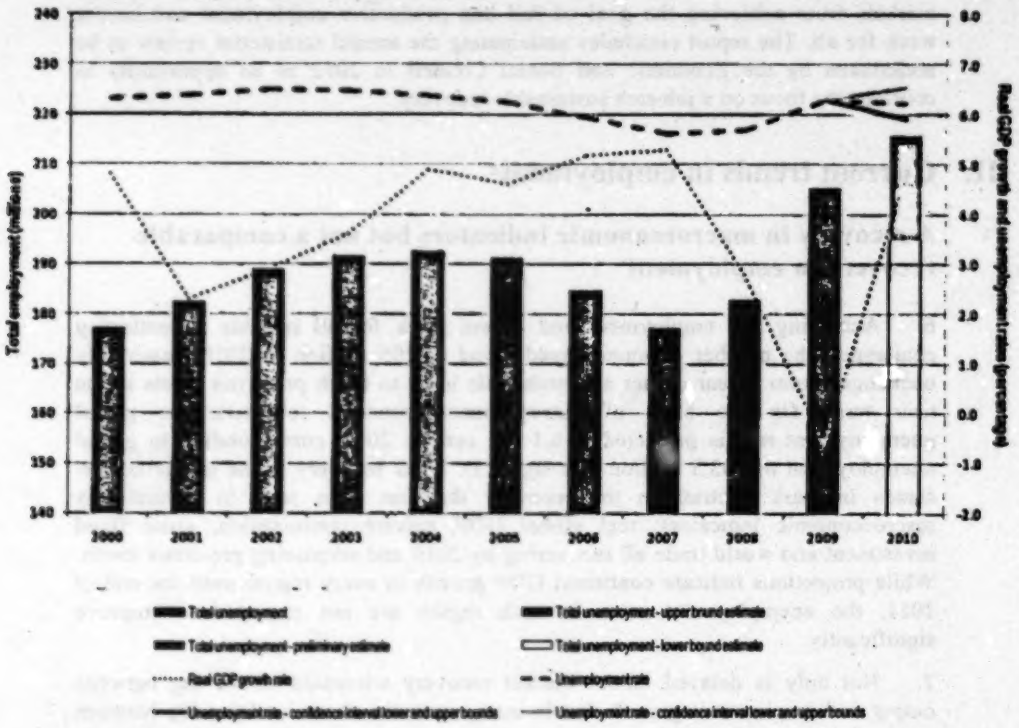
A recovery in macroeconomic indicators but not a comparable recovery in employment

6. Achieving full employment and decent work for all remains a continuing challenge. The number of unemployed stood at 205 million in 2010, essentially unchanged from a year earlier and with little hope to reach pre-crisis levels in the near term. On the basis of current macroeconomic forecasts, the global unemployment rate is projected at 6.1 per cent in 2011, corresponding to global unemployment of 203.3 million (see figure I). Weak recovery in the labour market stands in stark contrast to the recovery that has been seen in several key macroeconomic indicators: real global GDP, private consumption, gross fixed investment and world trade all recovering by 2010 and surpassing pre-crisis levels. While projections indicate continued GDP growth in every region until the end of 2011, the unemployment rates in each region are not expected to improve significantly.

7. Not only is delayed labour market recovery witnessed in the lag between output and employment growth, but in many countries there is also a lag between productivity growth and resumption in real wage growth. This phenomenon can threaten future recovery prospects, given the strong linkages between employment and growth in real wages on the one hand, and employment and consumption on the other. This issue is addressed further in section VI.

[2] This section is based upon information contained in the ILO Global Employment Trends, 2011. For more information on the figures and charts, see www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/@publ/documents/publication/wcms_150440.pdf.

Figure 1
Global unemployment trends, 2000-2010[a]



Source: ILO, Trends econometric models, October 2010.
[a] 2010 are preliminary estimates.

Highly differentiated labour market recovery

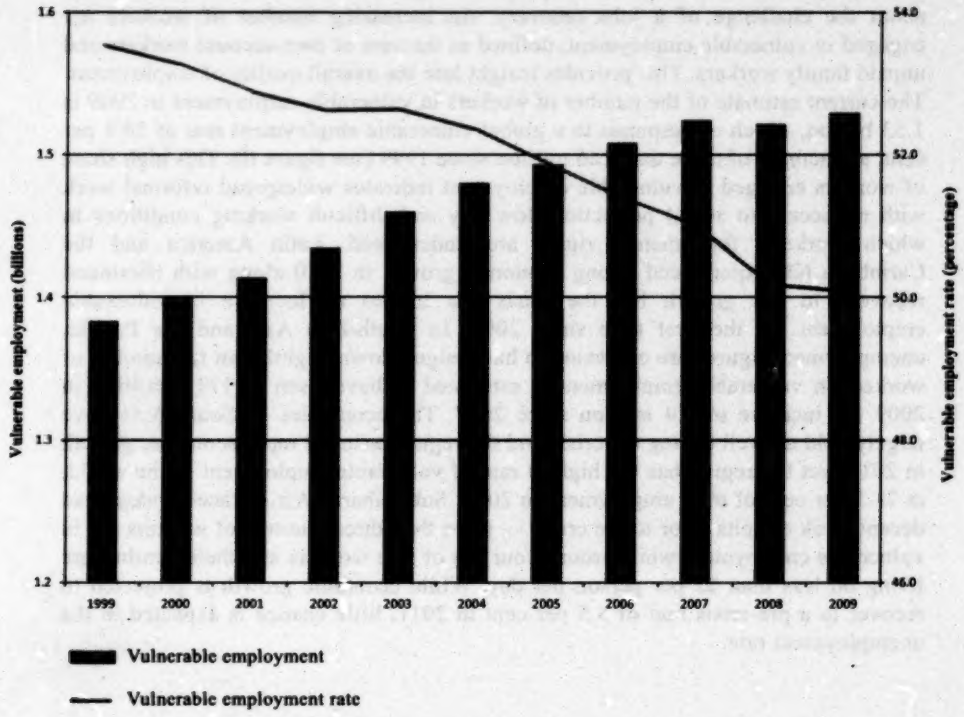
8. The crisis has led to a two-speed recovery in the labour market, with a continued rise in joblessness in the developed economies and the European Union region, versus a steady to slightly improving unemployment picture in most developing regions. In advanced economies, employment is expected to return to pre-crisis levels only by 2015, whereas emerging and developing countries are estimated to reach pre-crisis employment levels in 2011.[3] Fifty-five per cent of the total increase in global unemployment between 2007 and 2010 occurred in the developed economies and the European Union region, while the region accounts for only 15 per cent of the world's labour force. Another manifestation of continued labour market distress in developed economies is the rapid growth in part-time employment and large increase in youth unemployment. For developing countries, a major challenge is to absorb labour surpluses from earlier years as well as new entrants into the labour market.

[3] ILO, *World of Work Report 2010: From One Crisis to the Next?* (Geneva, 2010).

Growth alongside rising vulnerable employment

9. While short-term labour market indicators show an ongoing recovery in many developing countries, official unemployment figures do not tell the whole story about the challenge of a jobs recovery. An increasing number of workers are engaged in vulnerable employment, defined as the sum of own-account workers and unpaid family workers. This provides insight into the overall quality of employment. The current estimate of the number of workers in vulnerable employment in 2009 is 1.53 billion, which corresponds to a global vulnerable employment rate of 50.1 per cent, an increase of more than 146 million since 1999 (see figure II). This high share of workers engaged in vulnerable employment indicates widespread informal work with no access to social protection, low pay and difficult working conditions in which workers' fundamental rights are undermined. Latin America and the Caribbean has experienced strong economic growth in 2010 along with continued recovery in job growth but the crisis has led to an increase in vulnerable employment for the first time since 2002. In South-East Asia and the Pacific, unemployment figures are estimated to have edged down slightly but the number of workers in vulnerable employment is estimated to have risen to 173.7 million in 2009, an increase of 5.4 million since 2007. The economies of South Asia have largely held up well during the crisis and the region resumed rapid economic growth in 2010, yet the region has the highest rate of vulnerable employment in the world, at 78.5 per cent of total employment in 2009. Sub-Saharan Africa faced widespread decent work deficits prior to the crisis — more than three quarters of workers are in vulnerable employment while around four out of five workers and their families are living on less than $2 per person per day. While economic growth is projected to recover to a pre-crisis rate of 5.5 per cent in 2011, little change is expected in the unemployment rate.

Figure II
Global vulnerable employment trends, 1999-2009[a]



Source: ILO, Trends econometric models, October 2010.
[a] 2009 is a preliminary estimate.

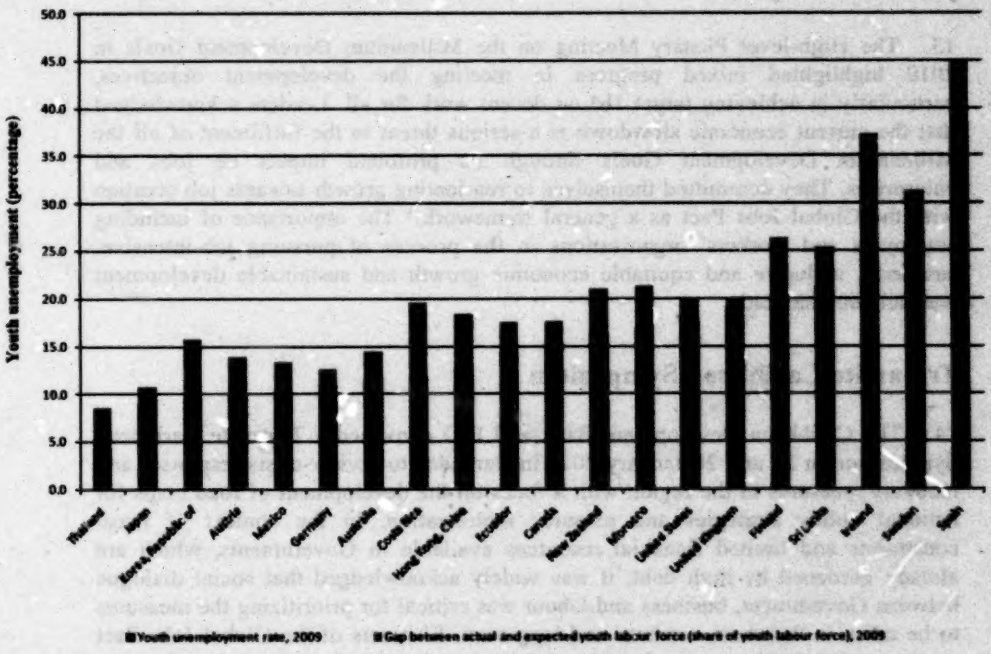
Youth employment alarmingly high

10. Particularly hard hit by the crisis has been the youth population (aged 15-24), of whom around 77.7 million or 12.6 per cent are unemployed. In 56 countries with available data, there are roughly 1.7 million fewer young people in the labour market than expected on the basis of longer-term trends. This suggests that the unemployment level for youth is likely to be much higher than perceived because discouraged youth have given up the search for work and thus are not counted among current unemployed (see figure III). Particularly worrying is the observation from earlier experiences that it takes, on average, more than 11 years for youth unemployment to return to pre-recession levels.[3] In the Central and South-Eastern Europe (non-European Union) and the Commonwealth of Independent States region, youth unemployment rose more than in any other developing region in 2009, and one in five economically active young people in the region were unemployed in 2010. While the labour market in East Asia has recovered relatively quickly, youth unemployment remains a major challenge in the region where the unemployment rate of 8.3 per cent in 2010 is nearly 2.5 times higher than the rate for adults. Young

people in the South-East Asian and Pacific region continue to face significant challenges in securing decent and productive jobs and are 4.7 times more likely to be unemployed than adults. In the Middle East, the crisis has driven overall unemployment to 10.3 per cent, the highest regional rate in the world, and the youth unemployment rate is almost four times the adult rate. In North Africa, an alarming 23.6 per cent of economically active young people remained unemployed in 2010.

Figure III

Official youth unemployment rates and adjusted rates accounting for reduced labour force participation, 2009



Source: Calculations based on ILO, Trends econometric models, October 2010.

11. Perceptions of unfairness and frustration are growing alongside rising unemployment and increased income inequalities. Social cohesion cannot be taken for granted if economic growth becomes less inclusive. There is growing evidence of a deteriorated social climate, especially in countries where job losses have been the highest. A study conducted by ILO finds that higher unemployment and growing income inequalities are key determinants of the deterioration in social climate indicators.[3] By contrast, economic growth per se is not a significant factor behind social climate indicators. Adopting a job-centred exit strategy would enhance social cohesion while ensuring sustainable recovery from the crisis, reinforcing the importance of the job-centred policy action advocated by the Global Jobs Pact.

III. International and regional support

12. The Global Jobs Pact calls for coordinated global action to maximize the positive impact of policy initiatives on jobs and sustainable enterprises worldwide. Its successful implementation depends on national and international decisions by a variety of stakeholders including Governments, social partners and civil society, as well as by donors and multilateral institutions.

A. Achieving the Millennium Development Goals: a case for job-intensive growth

13. The High-level Plenary Meeting on the Millennium Development Goals in 2010 highlighted mixed progress in meeting the development objectives, particularly in achieving target 1b[4] on decent work for all. Leaders acknowledged that the current economic slowdown is a serious threat to the fulfilment of all the Millennium Development Goals through its profound impact on jobs and enterprises. They committed themselves to reorienting growth towards job creation with the Global Jobs Pact as a general framework.[5] The importance of including employers and workers' organizations in the process of pursuing job-intensive, sustained, inclusive and equitable economic growth and sustainable development was duly emphasized.

B. Tripartite Caribbean Symposium

14. The Caribbean Development Bank and ILO convened a Tripartite Caribbean Symposium on 25 and 26 January 2011 in Barbados to review crisis responses and recovery measures in the region with a focus on the development of road maps for national policy strategies and resource mobilization. In the context of fiscal constraints and limited financial resources available to Governments, which are already burdened by high debt, it was widely acknowledged that social dialogue between Government, business and labour was critical for prioritizing the measures to be taken in the short, medium and long term. Elements of the Global Jobs Pact recommended for the region include social protection for the most vulnerable; the development of sustainable enterprises to support the creation of sustainable jobs; closer links between education and training and labour market needs; and the strengthening of labour market information systems for policymaking and planning.

[4] Target 1b was added in 2005: "Achieve full and productive employment and decent work for all, including women and young people".

[5] General Assembly resolution 65/1, entitled "Keeping the promise: united to achieve the Millennium Development Goals" (22 September 2010), para. 48.

C. African Decent Work Symposium

15. The second African Decent Work Symposium, on "Building a social protection floor with the Global Jobs Pact", was held from 6 to 8 October 2010 in Yaoundé.[6] The Symposium recognized the need to promote employment and protect people through the implementation of effective national social protection floors as an important link in the fight against poverty, an investment in socio-economic development and the consolidation of the economic recovery process on the continent. The main goal of this regional activity was to strengthen the capacity of key actors and stakeholders to design and implement strategies to create productive employment and extend social protection, within the framework of the social protection floor and the Global Jobs Pact initiatives. The symposium concluded with the adoption of the Yaoundé Tripartite Declaration on the implementation of the Social Protection Floor,[7] which commits African member States and social partners to adopt the principles, main elements and practical aspects of the social protection floor, in synergy with the African Union Social Policy Framework for Africa, as set out in the document.

D. Group of 20

16. At the summit of the Group of 20 (G-20) in Seoul (11 and 12 November 2010), leaders pledged to prioritize decent work and social protection policies, stating, in paragraph 5 of their declaration, that they were determined to put jobs at the heart of the recovery, to provide social protection, decent work and also to ensure accelerated growth in low-income countries. ILO presented a report at the summit which underlined that job growth remains at the heart of recovery policies, with half of G-20 countries still experiencing an increase in unemployment.[8] The report recommends an income-led approach based on employment and job-intensive growth policies. Leaders asked for continued support during the crisis and beyond in the area of employment, including to the G-20-led review of country commitments and progress for the Framework for Strong, Sustainable and Balanced Growth as well as to the multi-year development action plan covering nine pillars of growth ranging from private investment and trade to job creation, skills development, social protection and food security.

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[6] The Symposium is a response to the tripartite decision taken at the 11th ILO African Regional Meeting (Addis Ababa, April 2007) to the effect that ILO convenes an annual African decent work symposium bringing together key actors to address topical issues contained in the Decent Work Agenda in Africa, 2007-2015. In line with that decision, the first African Decent Work Symposium, on the theme "Recovering from the crisis: the implementation of the Global Jobs Pact in Africa", was held in Ouagadougou on 1 and 2 December 2009, at which the road map for the implementation of the Global Jobs Pact in Africa was adopted. Moreover, the road map identified building a social protection floor as one of the key elements of the African recovery strategy.

[7] See http://www.ilo.org/public/english/region/afpro/addisababa/pdf/adm2011_tripartite_en.pdf.

[8] ILO, "Weak employment recovery with persistent high unemployment and decent work deficits: an update on employment and labour market trends in G-20 countries" (November 2010).

E. Oslo Conference

17. The Economic and Social Council in its resolution 2010/25 welcomed efforts to integrate the policy contents of the Global Jobs Pact into the activities of international financial institutions and other relevant organizations. In this regard, ILO and the International Monetary Fund (IMF) jointly hosted, together with the Government of Norway (13 September 2010), a conference on the challenges of growth, employment and social cohesion.[9] The objective of the conference was to forge synergies and stimulate discussion on international cooperation and policy innovations for improving the capacity of economies to generate enough quality jobs and promote social cohesion. Both agencies issued a stark assessment of the outlook for employment in the wake of the global economic and financial crisis, indicating that the world faces major challenges in creating enough quality jobs to sustain growth and development. The conference provided a venue for government leaders, as well as social partners of workers and employers organizations, to explore new ways of forging a sustainable, job-rich economic recovery. Priorities identified by the conference included promoting labour market policies and institutions; providing training to the unemployed; tackling youth unemployment; building fiscal sustainability; developing a stronger framework for global economic cooperation and coordination; and cooperating with social partners to help to prevent confrontation and social unrest. ILO and IMF are working together on policy development in two key areas: a social protection floor to assist those living in poverty and in vulnerable situations, and strategies for development policies promoting employment-intensive growth. Joint collaboration is under way in building social partnership consultations between labour, employers and the Government on economic recovery in Bulgaria, the Dominican Republic and Zambia.

IV. Global Jobs Pact at the national level

18. Various national policies adopted over the past year as a direct response to the economic and financial crisis reflect approaches outlined in the Global Jobs Pact. A number of countries requested support from ILO to assist in developing a more integrated set of crisis response and recovery policy measures as prioritized in the Decent Work country programmes. Other countries have themselves adopted national strategies which embrace elements of the Pact. A number of countries have successfully managed to avoid surges in unemployment and help to ease the adjustment process by implementing principles contained in the Global Jobs Pact. In this regard, ILO has produced a set of policy briefs to assist countries in identifying effective labour market interventions.

Technical assistance through country scans[10]

19. As a first measure of support, ILO has produced a set of Global Jobs Pact country scans, which provide a description of the impact of the crisis in countries requesting ILO support and technical expertise. The scans also provide a detailed

[9] See www.osloconference2010.com.

[10] For current and upcoming country scans, see www.ilo.org/jobspact/country/lang--en/index.htm.

description of the policy responses using the Pact portfolio as a checklist. The intention is to use the Pact as a basis to develop National Jobs Pacts, not only for use as an effective crisis response and recovery strategy but also as a framework for an employment-centred development model that maximizes decent work creation and sustainable enterprises. To date, scans have been conducted for Bulgaria, El Salvador, Indonesia, Jordan and South Africa and will soon be completed for Argentina, Mali, Mongolia and Nigeria. The scans look at the country situation and policy responses through the lens of the Pact. The support offered by ILO is intended to be flexible and not replace or delay ongoing efforts already being provided. The approach builds on and reinforces national efforts to respond to the crisis. Each country will need to develop its own national tripartite process, while maintaining the principles that underpin the Global Jobs Pact.

El Salvador

20. The financial and economic crisis had an impact of unprecedented severity on the Salvadoran economy, as evidenced by the sharp decline of 3.5 per cent in GDP in 2009. Two direct effects of the crisis have been a drop in remittances sent to families by Salvadoran workers abroad and a decline in Salvadoran exports. The impact on employment has also been marked, principally in terms of a loss of formal jobs. By the same token, decreased tax revenues reduced the Government's margin to apply a vigorous anti-cyclical fiscal policy.

21. The Government put in place a response package, the Global Anti-Crisis Plan, which has four central objectives: (1) to preserve existing jobs and generate new sources of employment; (2) to protect vulnerable populations from the impact of the crisis; (3) to implement a universal social protection system; and (4) to create all-inclusive public policies on economic and social matters.

22. Building upon the Plan, the Government of El Salvador and social partners requested assistance from ILO to use the Global Jobs Pact as a tool to strengthen the recovery policy measures and lay the foundations for a higher, more sustainable and inclusive growth path. Using the country scan as one of the inputs, a tripartite committee has submitted a proposal for the national Social and Economic Council to establish priority areas for a national Jobs Pact.

Indonesia

23. The drop in economic growth and associated decline in global demand has had numerous impacts on the labour market in Indonesia, resulting in a significant number of job losses and a steep fall in the rate of growth of wage employment. Despite efforts to extend social protection, some 54 per cent of the total population has no access to social health protection and 83 per cent of workers do not have access to other social security benefits.

24. Recognizing the relevance of the Global Jobs Pact to their own national issues, the tripartite representatives of Indonesia — the Government, workers and employers — signed the Indonesian Jobs Pact to help address the social and employment impact of the crisis on workers and enterprises. The Indonesian Jobs Pact is an excellent example of successful social dialogue as it was developed through a series of reviews and consultations among the tripartite partners. It highlights four priority areas that are based on the National Medium-Term Development Plan, namely, employment creation; strengthening industrial relations;

enhancing the quality and coverage of social protection; and improving labour productivity.

Jordan

25. The impact of the crisis on the Jordanian labour market in 2009 was not severe: official unemployment registered a modest increase, from 12.0 per cent in the third quarter of 2008 to 12.2 per cent by mid-2010. Nevertheless, the crisis created economic challenges, through three transmission channels: declining capital flows, declining oil prices and lower growth, which affected adversely Jordan's exports and remittances.

26. The twin goals of reducing poverty and unemployment have been tackled through a coherent policy framework setting the economic and social priorities, namely the Executive Programme 2011-2013 and the Government Implementation Plan 2010. Government action post-crisis include investments in infrastructure, public services, subsidies, training and skills development national programmes, tied with building social protection systems.

Bulgaria

27. Bulgaria implemented a range of measures to counteract the negative effects of the global crisis. Active labour market policies aimed at preventing long-term unemployment and drop-outs from the labour market, especially among vulnerable groups, were supplemented by increased subsidies for vocational training, career counselling, apprenticeship and internship programmes. The anti-crisis programme also included shorter working hours schemes compensating the loss of labour income, and incentives for employers to retain workers, including hiring people from risk groups. Bulgaria has shown strong commitment towards the implementation of international labour standards, having one of the highest ratification records of ILO Conventions, with a total of 99 ratified conventions, of which 80 are in force.

South Africa

28. With the onset of the global economic crisis in 2008, South Africa experienced its first recession in almost 17 years, significantly affecting the economy and the labour market. The Decent Work country programme signed in 2009 and the Global Jobs Pact, implemented through a national jobs pact, align national policies with the Decent Work Agenda. The New Growth Path released in South Africa in December 2010 put decent work at the centre of its economic policies. It has fixed six priority areas to job creation, namely, infrastructure development, agriculture, mining, manufacturing, the "green" economy and tourism. The ILO and its South African constituents are currently reviewing policy options for an integrated application of the Global Jobs Pact.

National strategies embrace elements of the Global Jobs Pact

29. Drawing upon the Global Jobs Pact and its strategic recommendations, many countries have adopted active labour market policies by adapting and integrating elements of the Pact into national contexts.

Spain

30. In February 2011, the Government of Spain, together with trade unions and employers, signed a social pact to tackle unemployment and boost a fragile economy hit by a record rate of unemployment of 20.3 per cent of the labour force, representing 4.7 million people. The "grand social pact" was widely expected after staggering unemployment figures put Spain at the top of the European jobless rates list. Particularly badly hit by unemployment are young Spaniards — 1.5 million young people are currently unemployed, of whom 42 per cent are under 25, twice the euro zone average. Many young people are highly educated but cannot find jobs and are looking abroad for work.

31. The main reform of the social and economic pact is a measure to gradually raise the retirement age from 65 to 67 starting in 2013. Incentives will be given to businesses hiring younger workers, as well as the long-term unemployed and those aged over 45. Job seekers will benefit from the extension of payments to the long-term unemployed, and employers will see sharp cuts in social insurance expenditures, particularly small and medium enterprises. The pact involves job programmes, a boost to research and innovation and reforms in the energy and manufacturing sectors.

Argentina

32. At a tripartite meeting held in April 2011 on the application in Argentina of the recommendations of the Global Jobs Pact, the ILO reported that the urban unemployment rate in Latin America and the Caribbean was back to its pre-crisis level of 7.3 per cent. The regional urban unemployment rate of 7.3 per cent in 2010 is similar to that of 2008, before the effects of the crisis began to be felt. In 2009, at the height of the crisis, the increase was held down to 8.1 per cent. According to figures presented in Buenos Aires, the rate in 2011 is expected to remain at 7.3 or 7.2 per cent, despite continued growth of over 4 per cent in the region.

33. The youth urban unemployment rate is currently at 13 per cent, some 2.5 times the adult rate. Moreover, 20 per cent of the region's 106 million young people are neither studying nor working. Given the alarming rate of informality in the region, low social protection coverage, and insufficient increases in real wages, the Global Jobs Pact strategic recommendations aim at creating national policies to generate employment-rich growth and enable quality jobs.

Global Jobs Pact policy briefs provide guidance on effective interventions

34. Effective interventions require a clear recognition of how specific policy measures affect the labour market. The ILO has developed a set of policy briefs,[11] covering topics such as employment creation and services, investments, the informal economy, trade and employment policies, green jobs, migrant workers, youth, gender and vulnerable groups. The policies outlined in the briefs are consistent with the Global Jobs Pact and have been shown to help boost employment generation and jump-start a sustainable jobs recovery, as well as support a broader macroeconomic recovery. Some examples of effective policy interventions are set out below.

[11] To date, ILO has developed 18 policy briefs. See www.ilo.org/jobspact/resources.

35. Employment targets can be defined as an explicit political commitment to achieve an employment outcome within a specified time period, as a principal macroeconomic objective. Experience suggests that even with sustained rates of GDP growth, job creation is not automatic. Countries without employment targets now have the means to construct such targets in accordance and compliance with Millennium Development Goals target 1b. As part of its New Growth Path, South Africa set a target to create 5 million jobs by 2020 and bring unemployment down to 15 per cent. Part of this plan is expected to be realized through the Expanded Public Works Programme, which was first implemented between 2005 and 2009 and created more than 100,000 jobs. The second phase is expected to create 400,000 jobs by 2014, which represents nearly 10 per cent of the national target.

36. Public employment programmes are being used effectively to increase aggregate demand. Public employment programmes can complement employment creation by the private sector, offer an additional policy instrument to tackle the problem of underemployment and informal employment and be part of a wider employment and social protection policy. The Government of India launched the National Rural Employment Guarantee Act in 2006, which provides a legal guarantee for 100 days of employment in every financial year to adult members of any rural household willing to do public work-related unskilled manual work, at the statutory minimum wage. Reviews of the scheme point to positive impacts on employment generation, wages and the building of social cohesion.

37. Some job losses have been mitigated by working-time reductions and other employment retention practices such as job-sharing, as was done in the Republic of Korea. Enhancements to existing schemes to facilitate reduced working hours and partial unemployment benefits were successfully implemented in Germany. Such practices reduce the social costs typically associated with job losses, but also allow firms to avoid the excessive costs involved in firing and rehiring. An important consideration in reducing hours, as opposed to cutting jobs, is that it may not be fiscally feasible for employers if economic conditions deteriorate in the near term. Thus, premature removal of the stimulus package could impede growth by threatening the closure of many small- and medium-sized enterprises, which could weaken labour market prospects even further.

38. With continued job losses and the fact that women make up 40 per cent of the total global work force, there is fear that the progress made in advancing gender equality in the world of work is being jeopardized. There are particular gender responsive measures that countries can take, such as making women's equal access to productive and decent work a key priority of macroeconomic policies; adopting fiscal policies in favour of the working poor, particularly women; enhancing human resources through investing in education, skills development and life-long learning for girls and women; engendering public investments for job creation to ensure equal access and benefits for women; and enhancing or expanding social protection floors, targeting women in particular.

39. While much attention has focused on the impact of the crisis in advanced economies, the consequences of unemployment or underemployment are particularly acute in developing countries, owing to the general lack of social protection to support basic living standards. Given that so many workers lack adequate protection, the jobs crisis has given rise to even greater concern about social impacts. The reality is that the majority of workers do not have a safety net to

rely on in times of need. Sustained commitment to progressively building a social protection floor is critical. In spite of fiscal constraints, many Governments are realizing the benefits of building or expanding their social protection floor based on national needs and priorities. Strong social protection policies are proving to help mitigate the rise in unemployment and offset the social impacts on the real economy.

40. With a weak demand in the private sector, Governments can help to sustain jobs and spur aggregate demand. Counter-cyclical public spending on infrastructure is an effective way to stimulate job creation, which also lays the foundation for long-term development and responds to immediate social needs. It is crucial to assess the overall labour outcome of such investments in terms of direct, indirect and induced employment, as well as the short-term and longer-term impacts on growth and equity.

41. The global jobs crisis has hit young people hard. Of the world's estimated 211 million unemployed, nearly 40 per cent are between 18 and 24 years of age. Many young people are poor and underemployed, which results in missed opportunities in terms of economic growth and development. Many Governments have taken measures to sustain youth employment through a combination of incentives for new employment, employment services, skills development, income support, public works and community services and youth entrepreneurship.

42. In all cases, effective social dialogue, including collective bargaining at the enterprise, sector and national level, is fundamental to the design and implementation of successful policies to limit or avoid job losses, while ensuring social acceptance.

V. Building policy coherence through the United Nations system

43. Over the past year, policy coherence in support of the Global Jobs Pact has continued, with many convergent issues being reflected in various United Nations intergovernmental and inter-agency processes. Particular efforts have been made towards balancing the three pillars of sustainable development — economic, social and environmental.

Enhancing inter-agency coherence

Turin meeting

44. ILO and the Department of Economic and Social Affairs of the United Nations Secretariat, with financial support from the ILO-Norway project on policy coherence for growth, employment and decent work, organized an inter-agency technical meeting on building employment and decent work into sustainable recovery and development at the ILO International Training Centre in Turin, Italy, from 29 November to 1 December 2010.[12] The aim was to encourage dialogue on the Global Jobs Pact and prompt stronger and more coherent United Nations policy responses to employment and decent work challenges in poor countries and

[12] See http://www.ilo.org/integration/events/events/lang--en/WCMS_150552/index.htm.

exchange good practices among senior technical officials from 16 different multilateral organizations, selected practitioners and international experts.

45. The meeting included United Nations agencies engaged in the plan of action on full employment and decent work for all under the Second United Nations Decade for the Eradication of Poverty, as well as other international organizations, including IMF and the World Bank, that are involved with the Joint Crisis Initiative on the Global Jobs Pact of the United Nations System Chief Executives Board for Coordination. Each of the organizations represented addressed its perspectives on employment and decent work issues and shared lessons learned concerning appropriate policy frameworks and approaches, innovative partnerships and inter-agency initiatives as well as potential areas for research and cooperation. The meeting produced ideas and suggestions to strengthen the plan of action under the Second United Nations Decade for the Eradication of Poverty. It also provided an up-to-date, unique overview of current thinking and action within the United Nations system on the key challenges of development, growth and equity.

Building coherence among the three pillars of sustainable development

Economic policy and employment

46. A reorientation of macroeconomic policy goals in favour of employment and social development has been asserted at various policy levels. This recognition is grounded in the proven inability of macroeconomic stability to create the conditions necessary for rapid and sustainable growth, job creation, increased productivity and wages, reduction of poverty and social integration. ILO has long advocated that job-rich economic growth targets are as important as low budget deficits or inflation targeting to secure recovery and accelerate progress in poverty reduction. Encouraging progress in advancing international consensus in this regard was made during the High-level Plenary Meeting on the Millennium Development Goals in 2010, at which world leaders recognized the importance of adopting forward-looking, macroeconomic policies that promote sustainable development and lead to sustained, inclusive and equitable economic growth, increase productive employment opportunities and promote agricultural and industrial development.[13]

Social policy and employment

47. The Social Protection Floor Initiative, as included in the Global Jobs Pact, has emerged as an ambitious programme providing opportunities to develop and test new working methods while ensuring policy and operational coherence across the United Nations system.[14] During the 2010 meeting, world leaders indicated that promoting universal access to social services and providing social protection floors can make an important contribution to consolidating and achieving further

[13] General Assembly resolution 65/1, para. 23 (b).

[14] The Social Protection Floor Initiative is owned by national stakeholders, including Governments, social partners and civil society, with the support of international organizations. Led jointly by ILO and the World Health Organization, the Initiative is building a global coalition of United Nations agencies, the International Monetary Fund and the World Bank as well as development partners and leading non-governmental organizations to support countries in planning and implementing sustainable social protection systems.

development gains.[15] This momentum carried over to the forty-ninth session of the Commission for Social Development, where member States pointed to a growing consciousness of the triple benefits that sound social protection floors can play in thwarting the crisis: they protect people from becoming trapped in poverty, empower them to seize market opportunities and contribute to aggregate demand.

48. The Special Unit for South-South Cooperation and ILO are facilitating a South-South exchange on best practices, lessons learned, existing opportunities and obstacles in building a social protection floor. This collaboration has resulted in a publication entitled *Sharing Innovative Experiences: Successful Social Protection Floor Experiences* (2011). Training programmes have also been offered for national social policy planners and technical officers in charge of implementing social protection policies.

49. At the national level, several member States have displayed interest in developing or expanding a social protection floor. Building on existing social protection mechanisms, these strategies include a mix of contributory and non-contributory, targeted and universal, public and private instruments depending on the social, economic and political context. Concrete inter-agency activities are under way in Argentina, Benin, Burkina Faso,[16] Mozambique,[17] Nepal, Thailand, Togo and Viet Nam. Interest in joining the Social Protection Floor Initiative has been confirmed by Algeria, Botswana, Cambodia,[18] El Salvador, Ghana, Haiti, Indonesia, the Lao People's Democratic Republic and Rwanda. The level of financing remains a main challenge towards the implementation of a national social protection floor. A methodology for rapid social protection floor assessments is currently being applied in Armenia and Togo, and is planned for Nepal, Thailand and Viet Nam. A costing analysis has been applied for Benin, El Salvador, Mozambique, Nepal and Viet Nam. ILO is undertaking studies of the fiscal space for a social protection floor in El Salvador, Mozambique and Viet Nam, in collaboration with IMF.

Environmental policy and employment

50. The Global Jobs Pact recognizes the impact that the transition to a green economy can have on employment. Without an equitable sharing of the costs and benefits of environmental protection within and between countries, neither social

[15] General Assembly resolution 65/1, para. 51.

[16] In Burkina Faso, since October 2009, following the Prime Minister's request to the Director-General of ILO, ILO has been working jointly with United Nations agencies (mainly the World Health Organization, UNICEF, the World Food Programme, the Joint United Nations Programme on HIV/AIDS, the Food and Agriculture Organization of the United Nations), the World Bank, IMF, the European Union and the Inter-Ministerial Committee on the Social Protection Floor.

[17] Already in May 2008, the Minister for Social Affairs addressed a request to the ILO for the design of a social protection floor. Since then, a United Nations team and bilateral donors have provided support on the elaboration of a costed, multisectoral, national basic social protection strategy. Associated with the strategy, the first regulation for basic social security was approved by the Council of Ministers, which organizes basic social security in four components and defined a set of transfers which are very relevant for the social protection floor.

[18] In Cambodia, support is provided to the Government in the drafting exercise of the social protection strategy for the poor and the vulnerable; additional steps once the strategy is adopted will include more in-depth analysis and scenarios, followed by the design of the detailed programme.

justice nor sustainable development can be achieved. Social dialogue remains an essential element in forging compromise solutions for a just transition. Employment and social considerations in environment policy are being elaborated in collaboration with other United Nations agencies in the CEB working group on climate change. ILO, the World Health Organization and the Department of Economic and Social Affairs are convening a task team on the social dimensions of climate change, with the participation of 16 agencies. The aim is to highlight the various social aspects related to climate change, such as labour, health, gender, migration, social protection and human rights.

51. The United Nations Climate Change Conference (sixteenth session of the Conference of the Parties to the United Nations Framework Convention on Climate Change), held in Cancun, Mexico, underlined in section I, paragraph 10, of its outcome document that "addressing climate change requires a paradigm shift towards building a low-carbon society that offers substantial opportunities and ensures continued high growth and sustainable development, based on innovative technologies and more sustainable production and consumption and lifestyles, while ensuring a just transition of the workforce that creates decent work and quality jobs".[19] In section III.E, it also recognizes "the importance of avoiding or minimizing negative impacts of response measures on social and economic sectors, promoting a just transition of the workforce, the creation of decent work and quality jobs in accordance with nationally defined development priorities and strategies, and contributing to building new capacity for both production and service-related jobs in all sectors, promoting economic growth and sustainable development".

VI. Structural issues: policy constraints, challenges and opportunities

52. Long-term, positive impacts on the labour market require that the root causes of the crisis be also addressed to provide a rebalancing of the global economy so that growth is strong, equitable, job rich and hence sustainable. The principles and objectives contained in the Global Jobs Pact aim to do just that. The Pact goes well beyond policies designed to encourage a speedy recovery, but also strives to put employment permanently back at the centre of the policy agenda.

Rebalancing the global development agenda

53. Before the present crisis, there was already a crisis marked by frustration over the pattern of globalization, where too many women and men were being deprived of decent work opportunities and a chance to attain sustainable livelihoods. The pace of employment was not being met by GDP growth, the share of wages in total income was declining and median incomes were stagnant in many countries, signifying rising inequality in income distribution. These long-standing imbalances mean that the pace and employment content of growth must be increased to sustainable levels in order to reverse the unemployment effects generated by the crisis and to create some 440 million new jobs that will be needed in the next

[19] See The Cancun Agreements: Outcome of the work of the Ad Hoc Working Group on Long-term Cooperative Action under the Convention, section I, para. 10 (FCCC/CP/2010/7/Add.1).

10 years to absorb new entrants into the labour market. Structural change and increased investment is needed to address these long-standing labour market deficiencies while improving both the quantity and quality of jobs.

Macroeconomic targets and employment are mutually reinforcing

54. The way forward requires a much closer correlation between sound fiscal and monetary targets of macroeconomic policy together with employment, social and environmental policies. While the rate of growth, stable inflation and broadly balanced budgets are important targets for sound macroeconomic policy, employment targets set as close to full employment as possible must also be considered. Before the start of the financial crisis, real labour incomes grew less than justified, relative productivity gains, thereby leading to growing income inequalities. In some advanced economies this situation pushed households to borrow in order to fund their consumption needs. In other countries, growing inequalities led to insufficient and only modest domestic demand and growth. This has entailed a pattern of wage development that fosters growth in consumption, investment and employment. Unit labour costs should stay competitive with trading partners, which implies that wages should grow more or less with productivity. At the same time, wage increases should also be consistent with stable and low inflation.

55. Through the macroeconomic restructuring phase, the real economy must be protected. ILO has warned that any premature fiscal retrenchment could damage growth and lead to even larger deficits and debts. With faster pick-up in employment, there will be more buoyancy in tax revenues and unemployment-related expenditures will fall. It has been estimated that in G-20 countries, stimulus has created or saved 21 million jobs as a result of both discretionary policy measures and the working of automatic stabilizers. This is not to say that fiscal stimulus packages can carry the main weight of recovery or last forever. However, before these initiatives are progressively reduced, it is vital for household consumption and business investment to start pushing employment-led growth.

Addressing declining wage shares

56. The pre-crisis period indicates that in many countries wages grew more slowly than GDP per capita. Also, productivity gains relative to real wages generated a reduction of wage shares in total income in many countries. ILO analysis estimates that an increase of 1 per cent in annual growth of GDP was associated with a 0.05 percentage point decrease in the wage share over the periods from 1995 to 2000 and 2001 to 2007.[20] This trend has been attributed to various factors, including technology shifts creating increased demand for scarce skills; growing participation in international trade with intensified competition from large low-cost exporters; and weakened labour market institutions such as minimum wage and collective bargaining systems.

[20] See ILO, *Global Wage Report 2008/2009: Minimum Wages and Collective Bargaining towards Policy Coherence* (Geneva, 2008). Available from: http://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/documents/publication/wcms_100786.pdf; and ILO, *Global Wage Report: Update 2009* (Geneva, 2009).

Closing the income inequality gap

57. Along with declining wage shares, income inequality in many countries has continued to widen worldwide. With consumption being a key component of aggregate demand and, considering that labour income has a higher propensity to lead to consumption than capital income does, policies aiming to boost domestic demand should involve a strong focus on raising employment levels and wages and on ensuring an equitable distribution. Fiscal investments in a social protection floor are a vital component of the strategy to support domestic demand. In so doing, a shift must take place from a debt-driven model to an income-led model of development that provides the opportunity to improve both the quantity and quality of jobs.

Promoting job-rich growth through social dialogue

58. Job-rich growth in the post-crisis era will need to be supported by greater innovations and technology transfers in order to revitalize existing industries and expand into new sectors of the economy, with a view to creating the potential for productive, skilled and properly remunerated jobs. At the same time, such technological transformations can also spur shifts in the labour market, which is why social protection is critically needed to cushion the economic and social impacts of the restructuring. Similarly, the risk of an erosion in labour standards is always present while trying to manage a jobs crisis when there is the perception that labour market regulations constrain growth and job creation. However, strong labour market institutions upheld through social dialogue can promote a smooth adjustment process while ensuring social acceptance and cohesion.

Continued support for the Global Jobs Pact

59. The goal of providing full and productive employment and decent work for all remains a huge challenge. Policy choices are critical, particularly in helping to mitigate long-term scarring and adverse impacts on the real economy. Experience from the present crisis points to the need to have in place solid, yet adaptable, labour market policies and strong labour institutions in order to allow for adjustments in the labour market that are both economically sound and socially acceptable. Countries that have implemented elements of the Global Jobs Pact have benefited from a quicker and more sustainable recovery.

60. Uneven recovery in the labour market emphasizes the point that economic growth does not automatically lead to employment growth and that targeted efforts are needed to ensure that jobs and incomes are available for those seeking work. Experience from past crises shows that the labour market tends to recover long after economic growth resumes. Wages are typically depressed over a sustained period, and the incidence of informality increases, with many small enterprises going out of business. These trends suggest that many workers will suffer for a prolonged period and that many jobs will be permanently lost. This will not only affect the well-being of many workers and their families but will also depress long-term growth prospects. Further interventions are needed to mitigate these labour market and social effects. The 2012 annual ministerial review, on the theme "Promoting productive capacity, employment and decent work to eradicate poverty in the context of inclusive, sustainable and equitable economic growth at all levels for achieving the Millennium Development Goals", gives an opportunity to further review these and other persistent challenges outlined in the present report.